11. Socio-economic empowerment of Tribals/Rural Poor and Protection of Natural Resources in Tripura (Cost Rs. 202.11 crore): A project proposal prepared by Government of Tripura had been posed for German assistance. The Government of Federal Republic of Germany has committed a grant assistance of Euro 15 million in 2004.

Withdrawal of benefit to exporters under IT Act

2249. SHRI SURESH BHARDWAJ: Will the Minister of FINANCE be pleased to state:

(a) whether exporters were being given benefit under Section 80 HHC of Income-Tax Act while assessing the income tax;

(b) if so, whether Government have withdrawn the benefit; and

(c) whether Government are making the recoveries of the amount allowed to the exporters under the aforementioned provision of benefit; if so, how much amount has been recovered up to 31st December, 2004?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Yes, Sir. Section 80HHC of the Income-tax Act provides for a deduction from the total income in respect of profits derived from the export of goods or merchandise, which are realised in convertible exchange. The benefit under section 80HHC has been withdrawn in a phased manner and no deduction is allowable under the said section for the assessment year 2005-06 and subsequent assessment years.

(c) There has been no recovery of amounts allowed to the exporters under section 80HHC where the deduction has been claimed by the assessee in accordance with the provisions of the section.

Merger of RRBs

2250. SHRI SURESH BHARDWAJ: Will the Minister of FINANCE be pleased to state:

(a) whether there is any proposal to merge Regional Rural Banks with their sponsoring Banks;

(b) whether a Bankers' Committee constituted last year by Government

had recommended to set up six zonal level Regional Rural Banks by consolidating present 196 Regional Rural Banks; and

(c) if so, the details thereof and action taken by Government thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) No, Sir.

(b) and (c) The Group of CMDs considered several options for restructuring of RRBs and came to the conclusion that amalgamation of RRBs region-wise into six full-fledged Commercial Banks would be the best option. The State Governments and sponsor banks when consulted, expressed divergent views on the proposal. However, as a step towards consolidation of RRBs, the Government has initiated the process of amalgamation of RRBs in contiguous districts sponsored by the same bank within a State in consultation with the respective State Governments.

Exemption of citizens of Sikkim from income tax

†2251. SHRI PYARELAL KHANDELWAL: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that at the time of merger of Sikkim with Indian in 1975 it was committed that citizens of Sikkim would be exempted from income tax and direct taxes;

(b) if so, whether Government are considering to impose income tax and other taxes on the citizens of Sikkim against the said commitment;

(c) whether Government have received any memorandum from the State Government of Sikkim;

(d) if so, whether Government are considering the same; and

(e) the details of the memorandum received from Sikkim?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Article 371F was inserted in the Constitution of India by the Constitution (36th Amendment) Act, 1975, with effect from 26.04.1975, introducing special provisions with regard to the State of Sikkim. The Article, *inter alia,* provides that notwithstanding anything in the Constitution of India, all laws in force immediately before

†Original notice of the question was received in Hindi.